

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
 COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
 SP-02 SS-15 STR-07 TRSE-00 ACDA-12 FRB-03 XMB-02
 OPIC-03 LAB-04 SIL-01 PA-01 AGRE-00 /147 W
 -----073619 220235Z /63

R 211515Z MAR 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 4007
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMCONSUL LENINGRAD
AMCONSUL MUNICH
USMISSION USNATO
USINT HAVANA
AMCONSUL KRAKOW POUCH
AMCONSUL POZNAN POUCH

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E.O. 11652: N/A
TAGS: ENRG EGEN ETRD EALR PL
SUBJ: POLISH GASOLINE AND MOTOR OIL PRICE INCREASES ANNOUNCED
 MARCH 20

REF: MOSCOW 3470

1. THE POLISH PRESS ANNOUNCED MARCH 20 THAT PRICES FOR GASOLINE,
DIESEL FUEL, AND ENGINE OILS AND LUBRICANTS, AS WELL AS TAXI
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FARES, HAD BEEN INCREASED BY 20 PERCENT. IN ABSOLUTE TERMS,
THE PRICE OF PREMIUM AND REGULAR GAS HAS RISEN BY TWO ZLOTYS
PER LITER.

2. ACCOMPANYING ARTICLES RELEASED BY THE POLISH PRESS AGENCY
(PAP) STATE THAT THE INCREASE WAS REQUIRED BY THE FIVE-FOLD
RISE IN NATIONAL EXPENDITURES ON OIL IMPORTS OVER THE LAST FIVE

YEARS. CRUDE OIL IMPORTS NOW COST OVER \$100 PER TON "DUE TO PRICE INCREASES ON THE CONVERTIBLE CURRENCY MARKET AND ALSO, ALTHOUGH TO A MUCH LESSER EXTENT, ON THE SOCIALIST MARKET." THESE PRICE INCREASES, COUPLED WITH THE 80 PERCENT RISE IN OIL CONSUMPTION OVER THE THREE-YEAR PERIOD 1975-1977, HAVE MADE IT "VERY DIFFICULT FOR THE COUNTRY TO FIND THE RESOURCES NECESSARY TO COVER THE GROWING OIL IMPORT BILL."

3. COMMENT: POLAND'S HARD-CURRENCY SHORTAGE UNDOUBTEDLY PRECIPITATED THIS PRICE INCREASE, BUT THE SOVIETS HAVE PROBABLY ALSO BEEN LESS THAN HAPPY OVER THEIR SUBSIDIZATION, THROUGH BELOW-MARKET PRICES FOR SOVIET OIL EXPORTS, OF SURGING POLISH CONSUMPTION. THE FACT THAT SOVIET CONSUMERS ARE NOW PAYING MORE FOR GASOLINE (REF), MAY ALSO HAVE LED TO DIRECT OR INDIRECT PRESSURE ON THE GOP TO FOLLOW SUIT.

4. THE PRICE HIKE MAY SLOW THE RATE OF INCREASE IN OIL CONSUMPTION, BUT WE WOULD EXPECT THE PRICE ELASTICITY OF DEMAND TO BE LOW IN POLAND. UNLESS THE GOP IS ABLE TO CHECK GROWTH IN PERSONAL INCOMES, WHICH HAVE RISEN BY OVER 12 PERCENT IN EACH OF THE LAST FIVE YEARSZ DEMAND FOR GASOLINE WILL CONTINUE TO RISE. THE NEW PRICES WILL HELP DRAIN SOME OF THE EXCESS LIQUIDITY OF POLISH CONSUMERS, BUT HARD-CURRENCY SAVINGS THROUGH LOWER-THAN-PROJECTED OIL IMPORTS WILL PROBABLY BE MINOR.

5. BASED ON DATA FROM THE 1977 ISSUE OF THE POLISH FOREIGN LIMITED OFFICIAL USE

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TRADE YEARBOOK, POLAND IMPORTED LESS THAN THREE MILLION TONS OF OIL FROM NON-SOVIET SOURCES IN 1976, PROBABLY AT A TOTAL VALUE OF AROUND \$300 MILLION. IMPORTS OF CRUDE AND OIL PRODUCTS FROM ALL SOURCES COST SLIGHTLY OVER FOUR BILLION FOREIGN EXCHANGE ZLOTYS IN THE SAME YEAR, ACCORDING TO THE YEARBOOK. THE PAP NEWS RELEASE OF MARCH 20, WHICH STATED THAT OIL IMPORTS FROM "ARAB COUNTRIES" COST 4.5 BILLION FOREIGN EXCHANGE ZLOTYS (1.4 BILLION DOLLARS) IN 1977, IS, THEREFORE, INACCURATE.

END COMMENT.

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